

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 444 - SB 560

March 21, 2015

SUMMARY OF BILL: Exempts from state and local sales and use tax any sales of tangible personal property of any type sold by any person directly to consumers if: the sale takes place at festivals operated by a nonprofit public benefit corporation and conducted primarily for amusement and entertainment purposes; the sales occur at no more than a total of four festivals per calendar year; and the person made, crafted, produced, or grew the tangible personal property being sold.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – Exceeds \$710,000

Decrease Local Revenue – Net Impact – Exceeds \$290,000

Assumptions:

- This bill will not impact agricultural products, as such products that are grown or produced by a farmer and sold by the farmer are already exempt from the state and local sales and use taxes pursuant to Tenn. Code Ann. § 67-6-301.
- The Department of Revenue reports that state and local sales taxes collected from special events are approximately \$4,194,000.
- The amount of sales taxes collected from special events operated by nonprofit public benefit corporations with sales at such events meeting all other criteria established in this bill is unknown. However, it is estimated that at least 25 percent, or \$1,048,500 ($\$4,194,000 \times 25\%$), of sales taxes currently collected will be exempt from state and local sales taxes as a result of this bill.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The total taxable sales exempt are estimated to exceed \$11,036,842 ($\$1,048,500 / 9.5\%$).
- The net recurring decrease in state sales tax revenue is estimated to exceed \$744,635 [$(\$11,036,842 \times 7.0\%) - (\$11,036,842 \times 7.0\% \times 3.617\%)$].
- The total recurring decrease in local sales tax revenue is estimated to exceed \$303,865 [$(\$11,036,842 \times 2.5\%) + (\$11,036,842 \times 7.0\% \times 3.617\%)$].
- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services. Accounting for this, the net decrease in state revenue as a result of this bill is estimated to exceed \$710,000; the net decrease in local revenue as a result of this bill is estimated to exceed \$290,000.

HB 444 - SB 560

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive style with a large, stylized "J" and "S".

Jeffrey L. Spalding, Executive Director

/bos